

ACADIANA CENTER FOR THE ARTS, INC.

Lafayette, Louisiana

Financial Report
Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 Acadiana Center for the Arts, Inc.
 Lafayette, Louisiana

We have audited the accompanying financial statements of Acadiana Center for the Arts, Inc. (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Acadiana Center for the Arts, Inc. as of June 30, 2013 and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2014, on our consideration of the Acadiana Center for the Arts, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Acadiana Center for the Arts, Inc. internal control over financial reporting and compliance.

Darnall, Sikes, Gardes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

January 9, 2014

ACADIANA CENTER FOR THE ARTS, INC.

Statement of Financial Position
June 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 67,444
Grants receivable	117,728
Prepaid expenses	<u>5,967</u>

Total current assets 191,139

PROPERTY AND EQUIPMENT

Art work	66,000
Furniture and equipment	<u>46,615</u>
	112,615
Less: accumulated depreciation	<u>(46,615)</u>
	<u>66,000</u>

OTHER ASSETS

Marketable securities	1,263,596
Prepaid film costs	<u>8,700</u>
Total other assets	<u>1,272,296</u>

Total assets \$ 1,529,435

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 114,788
Accrued expenses	35,615
Deferred revenue	<u>109,273</u>
	<u>259,676</u>

NET POSITION

Unrestricted	16,307
Temporarily restricted	3,452
Permanently restricted	<u>1,250,000</u>
Total net position	<u>1,269,759</u>

Total liabilities and net position \$ 1,529,435

See independent auditor's report and notes to financial statements.

ACADIANA CENTER FOR THE ARTS, INC.

Statement of Activities
Year Ended June 30, 2013

UNRESTRICTED NET POSITION

Revenue:	
Grants:	
State of Louisiana Division of the Arts	\$ 191,709
Lafayette Parish School Board	113,601
Lafayette City-Parish Consolidated Government	279,350
Other	<u>151,694</u>
Total grants	736,354
Contributions and revenue:	
General contributions	177,545
Donated facilities	162,000
Special contributions	97,000
Special projects and miscellaneous	63,762
Corporate contributions	45,585
Earned income	452,613
Interest income	52,421
Net realized and unrealized gains (losses) on investments	<u>24,891</u>
Total contributions and revenue	<u>1,075,817</u>
Total revenue	1,812,171
Expenses:	
Program services	1,349,166
Administrative	<u>436,957</u>
Total expenses	<u>1,786,123</u>
Increase in net position	26,048
NET POSITION, beginning	<u>1,243,711</u>
NET POSITION, ending	<u>\$ 1,269,759</u>

See independent auditor's report and notes to financial statements.

ACADIANA CENTER FOR THE ARTS, INC.

Statement of Functional Expenses
Year Ended June 30, 2013

	PROGRAM SERVICES					
	Acadiana Center for the Arts	Decentralized Arts Funding	Community Arts	Arts In Education	Theatre	Administrative
Artist fees	\$ 202,620	\$ -	\$ 80,850	\$ 82,512	\$ -	\$ -
Dues and subscriptions	1,875	-	-	250	-	-
Facilities rent	131,938	-	-	-	-	31,351
Finance charges	1,540	-	-	-	-	-
Grant programs	752	171,401	-	15,720	-	-
Insurance	79,834	47	-	9,796	1,559	7,703
Marketing	5,975	-	1,001	(85)	15	12,411
Merchandise	383	-	-	-	-	-
Miscellaneous	9,048	-	-	6,076	3,841	-
Office expense	4,058	-	-	-	-	28,936
Postage	1,641	18	42	718	-	1,414
Printing	6,616	1,027	-	1,727	-	4,302
Professional services	26,971	300	12,307	2,812	52	37,707
Repairs and maintenance	1,222	-	-	-	14,227	28,587
Salaries, benefits and payroll taxes	186,181	56,301	-	47,959	5,632	252,926
Staff development	495	-	-	424	-	-
Supplies	3,379	492	462	14,953	17	10,641
Telephone	23	-	-	-	-	11,526
Travel and meals	19,634	1,803	6,064	9,358	1,270	9,453
Utilities	113,640	-	319	-	74	-
	<u>\$ 797,825</u>	<u>\$ 231,389</u>	<u>\$ 101,045</u>	<u>\$ 192,220</u>	<u>\$ 26,687</u>	<u>\$ 436,957</u>

See independent auditor's report and notes to financial statements.

ACADIANA CENTER FOR THE ARTS, INC.

Statement of Cash Flows
Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net position	\$ 26,048
Adjustments to reconcile change in net position to net cash used in operating activities:	
Unrealized (gain)/loss on securities	(13,010)
(Increase) decrease in:	
Grants receivable	8,014
Prepaid expenses	(9,170)
Increase (decrease) in:	
Accounts payable	(60,845)
Accrued expenses	(30,948)
Deferred revenue	49,228
Net cash used in operating activities	<u>(30,683)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of securities	<u>97,790</u>
Net cash provided by investing activities	<u>97,790</u>
Net increase in cash	<u>67,107</u>

CASH, beginning of year	<u>337</u>
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CASH, end of year	<u>\$ 67,444</u>
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See independent auditor's report and notes to financial statements.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements for Not-for-Profit Organizations*. Under FASB ASC 958-205, the Acadiana Center for the Arts, Inc. is required to report information regarding its financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position.

Reporting Entity

The Acadiana Center for the Arts, Inc. (the Council) is a non-profit corporation that serves an eight-parish region of Southwestern Louisiana, known collectively as Acadiana.

Nature of Activities

The Council serves a pivotal role in promoting the arts of the eight-parish service area, enhancing the organizational development of the various cultural organizations, and creating new programs, projects, and opportunities for the arts to develop in southwest Louisiana. Serving as cultural environmentalists, the Council seeks to foster and nurture an atmosphere where the arts and artists can flourish locally.

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting.

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the Statement of Activities as "Net Position Released from Restrictions." Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Council, The Council, a non-profit corporation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. It is also exempt from Louisiana income tax. However, should the Council engage in activities unrelated to its exempt purpose, taxable income could result. The Council had no material unrelated business income for the fiscal year under audit.

The Council's management believes it is no longer subject to income tax examinations for fiscal years prior to June 30, 2010.

Accounting Standards Codification 740 (ASC 740) requires that a tax position be recognized or derecognized based on a "more than not" threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Council has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the requirements of ASC 740. Accordingly, implementation of ASC 740 did not have any impact on the accompanying financial statements.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Council considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude permanently restricted cash and cash equivalents.

Investments

The Council carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net position in the accompanying Statement of Activities.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Council in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the Statement of Financial Position approximate fair values because of the short maturities of those instruments.

Short-term investments: The fair values of investments are based on quoted market prices for those or similar investments.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost. Donated assets are valued at their estimated fair value on the date donated. All acquisitions of property and equipment in excess of \$1,000 are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of five to ten years.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through January 9, 2014, the date the financial statements were available to be issued.

NOTE 2 RECEIVABLES

As of June 30, 2013, grants receivable consisted of the following:

Lafayette Parish School Board	\$ 2,800
Decentralized Arts Funding (LDOA)	24,570
Lafayette Economic Development Authority	30,000
Lafayette Consolidated Government	36,913
National Endowment for the Arts	8,700
Lafayette Convention & Visitors Commission	2,000
Special projects and miscellaneous	12,745
	<u>\$ 117,728</u>

NOTE 3 INVESTMENTS – DONOR-DESIGNATED ENDOWMENTS

Investments are carried at their fair value. Investments at June 30, 2013 are summarized as follows:

	Cost	Quoted Market Value	Unrealized Appreciation (Depreciation)
Marketable equity securities	<u>\$ 1,250,586</u>	<u>\$ 1,263,596</u>	<u>\$ 13,010</u>

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 3 INVESTMENTS – DONOR-DESIGNATED ENDOWMENTS (CONTINUED)

The Council has received a donation to establish a permanent endowment which can be used for administrative purposes. The donor-designated endowment is reported as permanently restricted net position.

NOTE 4 RESTRICTED NET POSITION

The Council has assets which are restricted in their application by virtue of the donor's intention or commitments already entered into by the Council. Details on the restricted balances are set out below:

TEMPORARILY RESTRICTED NET POSITION

Tommy Comeaux Memorial	\$ 3,452
	<u>\$ 3,452</u>

PERMANENTLY RESTRICTED NET POSITION

James D. Moncus Family Foundation	\$ 1,250,000
	<u>\$ 1,250,000</u>

NOTE 5 DONATED SERVICES AND FACILITIES

The Council received a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition under SFAS No. 116 has not been satisfied. On December 2, 2003, the Council executed a lease with the Lafayette Consolidated Government to begin upon occupation of a newly constructed facility. The lease period is ten years with the right to renew for three consecutive periods of five years each. Under the agreement, the Council will pay rent at the rate of \$100 per year, as well as be responsible for payment of all insurance and maintenance, including roof, heating and cooling and elevator systems. The estimated rental in the amount of \$162,000 has been reflected in the accompanying financial statements as contributions with a like amount shown as facilities rent.

NOTE 6 FUNDRAISING EXPENSE

Each year, the Council hosts several fundraising events. Fundraising costs are expensed as incurred. The total fundraising expense for the year ended June 30, 2013 was \$16,691.

NOTE 7 COMPENSATION OF BOARD OF DIRECTORS

Directors do not receive any compensation for their services as Directors of the Council. Directors may be reimbursed for their expenses, if any, incurred in carrying out the purposes of the Council, provided that such reimbursement does not adversely affect the Council's qualification under Section 501(c)(3) of the Internal Revenue Code.

ACADIANA CENTER FOR THE ARTS, INC.

Notes to Financial Statements

NOTE 8 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 9 CONCENTRATIONS

The Council received a substantial portion of its revenues from City, Parish and State grants. Any substantial change in any of these components could have adverse effects on the Council's financial condition.

NOTE 10 PENSION PLAN

On October 1, 1999, the Council adopted a Simplified Employee Pension Plan. The plan covers all full-time employees who have three years of service and are age 21 or older. Contributions to the plan each year are determined by the Board of Directors. The contribution cannot exceed fifteen percent of the employees' compensation or \$30,000, whichever is less. The contributions to the plan for the year ended June 30, 2013 were \$1,215.

NOTE 11 CONCENTRATION OF CREDIT RISK

The Council maintains cash balances at three separate financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The balances, at times, may exceed federally insured limits.

INTERNAL CONTROL AND COMPLIANCE



**Independent Auditor's Report on
Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Acadiana Center for the Arts, Inc.
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Acadiana Center for the Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Acadiana Center for the Arts, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Acadiana Center for the Arts, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (item 13-1).

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Acadiana Center for the Arts, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Acadiana Center for the Arts, Inc.'s Response to the Findings

Acadiana Center for the Arts, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors, management, others within the organization and is not intended to be and should not be used by anyone other than those specified parties. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Darnall, Sikes, Gardes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

January 9, 2014

ACADIANA CENTER FOR THE ARTS, INC.

Schedules of Findings and Questioned Costs
Year Ended June 30, 2013

Part I: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report - Financial Statements

An unmodified opinion has been issued on Acadiana Center for the Arts, Inc.'s financial statements as of and for the year ended June 30, 2013.

Control and Significant Deficiencies and Material Weaknesses – Financial Reporting

One material weakness in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 13-1 in Part II below.

Material Noncompliance - Financial Reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 2013.

Part II: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

13-1 Reconciliation of grant revenue

Finding:

The Organization signed a grant agreement in July 2012 to administer a program through June 30, 2013. The Organization provided the services according to the agreement, but failed to request the administrative fee prior to the end of the grant agreement period.

Cause:

The Organization did not request the administrative fee prior to the deadline.

Effect:

Failure to reconcile grant revenue to grant agreements could result in a material misstatement of the financial statements if receivables are not recorded in the correct period. In addition, it could also result in a loss of funding if requests are not submitted within the agreement terms.

ACADIANA CENTER FOR THE ARTS, INC.

Schedules of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Part II: Findings Relating to an Audit in Accordance with *Government Auditing Standards* (Continued)

13-1 Reconciliation of grant revenue (continued)

Recommendation:

The Organization should adopt a policy requiring periodic reconciliation of all grant revenue to the grant agreements. The grant agreement amount less the grant revenue balance on the general ledger should reconcile to the amount expected to be collected in the future.

ACADIANA CENTER FOR THE ARTS, INC.

Summary Schedule of Prior Year Findings
Year Ended June 30, 2013

12-1 Reconciliation of grant revenue

Status: This finding is unresolved. See current year finding 13-1.

ACADIANA CENTER FOR THE ARTS, INC.

Management's Corrective Action Plan For Current Year Findings
Year Ended June 30, 2013

Response to Findings:

13-1 Reconciliation of grant revenue

The Organization will adopt a policy to prepare periodic reconciliation of the grant revenue to the grant agreements.